

China: An Urban Revolution

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China has been undergoing an urban revolution of unprecedented scale and complex dimensions. Eight years after the world's urban population surpasses its rural population in 2007 – an historic watershed crystallizing our Urban Age, with more than half of the population of China will live in urban areas by about 2015, making the projected urban population of around 700 million larger than any country in the world, other than India, by far. The size element aside, China's urban revolution involves dramatic and profound spatial and social transformations, creating a new Chinese city that departs radically from its past.

The Chinese City from Past to Present

Despite having one of the world's longest recorded histories and civilizations, China's is largely rooted in an agricultural economy and village culture. Yet there is a salient urban aspect to that history, which is punctuated by the changing fortunes of a few prominent cities. It is a little-known fact that scenic Hangzhou (near Shanghai) was one of the earliest cities in the world to reach a population of one million as early as in the thirteenth century, when it was a lively commercial hub. Back then the city was the imperial residence of the emperor and his courtiers. Now, the nouveaux-riches live there like kings. Their consumption has made the city boom, and its economy has been growing at double-digit rates for 13 years. House prices in Hangzhou have tripled since 1999, approaching the prices in Shanghai. Multimillion-dollar villas built around the famous West Lake sell for more than 50,000 Chinese Yuan (about US\$ 6,000) per m².

Guangzhou (Canton) became a bustling outpost of foreign trade in the mid-nineteenth century after it was pried open by British colonial expansion in the Far East. Today in Guangzhou, tea drinking – a Cantonese custom steeped in centuries of tradition – is giving some way to a new passion for coffee that is percolating in. Dozens of cafés have opened in recent years, making coffee the latest trend in the city's culinary landscape. Shanghai, which throughout the seventeenth century had remained a relatively small coastal town, blossomed into China's most cosmopolitan city and by the 1930s had become known as 'the Paris of the East'. Today Shanghai is poised to become China's premier global city of the twentieth-first century (see the essay on Shanghai in this book). These cities, however, stood until 1949 out as 'islands' of concentrated wealth and glamour, as well as decadence and corruption, in a sea of largely impoverished rural China.

The founding of socialist China in 1949 ushered in a new urban era featuring a new kind of Chinese city – the socialist city – that would be shaped by ideologically-driven planning into a 'producer city' as opposed to a 'consumer city.' The socialist city would become, and indeed became, the location of state-owned factories and an engine of local economic development under rigid central planning. And the state prevented the city from generating population growth, especially through in-migration, and the development of commercial and municipal infrastructures that normally accompanies rapid industrialization. The rigid system of household registration (*hukou*) kept rural population

out of the cities, while the work unit compounds (*danwei*) kept employees of state agencies and factories in and treated them as collective labourers and residents based on relatively egalitarian principles and social relations. In the Chinese socialist city, a labour market did not exist and the work place was primarily state-owned and heavily politicized. Public space became synonymous with a city-wide arena of social control, which crowded out almost all private spaces. Public housing was the predominant form of residential living and was offered virtually free to match artificially suppressed low wages. Cheap public transport ensured decent access to work and basic commercial services in a landscape that, when it came to consumer and leisure facilities, was barren. Intra-urban and inter-city mobility was highly restricted, which reinforced social control and a high level of spatial homogeneity. While the Chinese city did not live up to the expectations of or realize the full egalitarian ideal of state socialism through planning uniformity, this same planning uniformity was a great leveller of so many geographic and socio-economic differences that were created during and left over from the pre-socialist era. The city became and remained a largely undifferentiated urban space, accommodating simplistic working and living conditions throughout the 1970s.

The Chinese City Transformed

China's cities began to turn away from state socialism around 1980 when the central government selected four cities (Shenzhen, Zhuhai, Shantou, Xiamen) on the southeast coast as special economic zones by granting those favourable policies and administrative autonomy that enabled them to attract foreign investment and to experiment with market reforms. The earlier success in targeting these few cities as a new model of decentralized and market-oriented development led the central government in 1984 to designate fourteen other, larger cities including Shanghai along the entire coastal belt as the so-called 'open cities', giving them financial incentives and administrative flexibility in dealing with foreign investors and pursuing economic development. These policies began to unleash the power of an urban revolution that has transformed the Chinese city. While the primary trigger and driver of this revolution is state-led urbanization, this urban revolution produced much greater cumulative impacts through harnessing industry-driven, migration-fuelled, and globally-linked forces. While the combination of these four forces may have left the most striking imprints on cities like Shanghai (see the Shanghai chapter in this book), it has led to rapid and uneven changes in most Chinese cities in most locations, creating a highly differentiated urban landscape that reflects the wide-ranging and deep-penetrating power of an urban revolution.

Exemplifying state-led urban development, the central government of China allowed a number of coastal cities to experiment with leasing the use rights of state-owned land to foreign investors in the mid- and late 1980s. While this state policy had a major influence on Shanghai, it pushed the much smaller cities on or near the coast to take off. Located near Shenzhen and Hong Kong, the city of Dongguan, a formerly rural township, turned much of its rice and litchis fields into massive factory floors and became a booming manufacturing hub that stretches over 2,520 km² and has over five million inhabitants. The over 15,000 Hong Kong and Taiwanese-owned businesses accounted for 80 per cent of Dongguan's gross industrial output, 62.5 per cent of its economic growth, and 90 per

cent of its exports, pushing Dongguan to become China's third-ranked city in exports volume behind only Shanghai and Shenzhen in 2003. With large revenues from leasing valuable land for building factories, the local government was capable of funding the entire primary and secondary education at no cost to residents and of experimenting with free health insurance and old-age pensions.¹

A second factor in this process is that while industrial production has transformed many previously economic backwaters like Dongguan into large-scale manufacturing centres, it is accompanied by a more differentiated labour market, a slower growing service sector, lacking municipal infrastructure and social services, and the continued dominance of the central city with some government-guided dispersal to the metropolitan fringes. The third element is that China's city growth has been fuelled by the huge influx of rural migrant workers – up to several million in booming coastal cities. Migrant workers generally face harsh working conditions and contribute to the creation of wealth and prosperity in cities, but they are subject to exclusionary government policies and end up having to eke out a meagre living from the lowest echelon of the socio-economic hierarchy and on the margins of the residential landscape. Finally, Chinese urbanization has become closely linked with globalization. Multinational corporations have not only created a great deal of factory employment and created a growing number of higher-paid and knowledge-intensive R&D jobs in Beijing and Shanghai, they have also reshaped local consumption patterns by stimulating a broad desire for a globally oriented lifestyle characterized by the popularity of brand-names and luxury residential estates, a lifestyle only affordable and obtainable by a relatively small and wealthy proportion of the population. Spatial and social inequalities have consequently widened considerably.

Under the interactive influence of these four forces, the Chinese city has experienced a deep transformation from its state-planned nature and form to a locus of increasingly differentiated economic, social, and territorial conditions. This has become highly visible through the striking co-existence and mixed layers of tradition and modernity, Western and Chinese orientations, cosmopolitanism and localism, glamour zones and gritty spaces, wealthy urbanites and poor migrants in more and more cities across China. The transformed Chinese city offers various insights into the four themes of the Urban Age project.

First of all, the transformed city has a fundamentally restructured economic base with a differentiated labour market that simply did not exist in the socialist city of the past. In all Chinese cities and towns, the share of employment in the state sector dropped sharply from 70 per cent in 1992 to 25 per cent in 2004, while that of the private sector rose from 4.7 per cent to 20.8 per cent. The continued decline of state-owned industries has occurred through consolidation, mergers and acquisitions, relocations, mandatory early retirement, and lay-offs. As the expanding private sector under sustained urban economic growth has created new jobs at fairly low skill levels, rapid expansion of higher education – especially graduate schools – in the past decade has increasingly made it more difficult for higher-degree holders to find employment than undergraduate-degree holders, as

¹ X. Chen, *As Borders Bend: Transnational Spaces on the Pacific Rim*, Rowman & Littlefield Publishers, 2005.

employers are increasingly choosing applicants who have practical work experience over those with impressive academic qualifications. The percentage of graduates who sign job contracts prior to graduation has been decreasing year after year. There was a drop from 68.2 per cent to 40 per cent for graduates and from 76.7 per cent to 40.7 per cent for post-graduates in 2005 over 2003.² As a solution to this problem, the government is now encouraging university graduates, as well as college and vocational-school graduates, to try and find work in the countryside, which continues to send migrants into the cities.

If the restructured economic base and a dynamic labour market add major wrinkles to the transformed Chinese city, new large-scale urban design/planning, coupled with the development of ambitious transit systems complicates the hybrid urban space further by stretching the metropolitan boundary. Some of Beijing's 14 satellite cities will be expanded under a plan developed by the municipal government to ease over-crowding in the capital. Several satellite cities with a good geographic location, industrial foundation, and inhabitable environment can eventually accommodate as many as 500,000 residents each. They now only house just over one million people in a combined area of 157 km². Their population density - 6,879 per km² – is much lower than the 27,400 average in the downtown area. The capital's deteriorating environment and chronic traffic problems – brought on by economic development – are the primary reasons why the municipal government is pushing the plans to take shape in time for the opening of the Summer Olympic Games in August 2008.

Another salient feature of the transformed Chinese city is the increasingly differentiated residential landscape created by advanced house privatization. By the end of 2005, private house ownership in China's coastal cities reached 82 per cent, which is higher than in countries such as the United States (68 per cent), the United Kingdom (67 per cent), and Germany (only 42 per cent).³ This very high private ownership rate has become a major factor dictating housing supply and demand, which hampers the government's efforts to curb rising house prices. The central government first introduced cooling measures in 2005, but the market showed few signs of slowing down, especially in the rapidly developing coastal cities. Further measures were introduced in May 2006. These included raising down payments on loans for luxury homes from 20 to 30 per cent, taxing proceeds from homes re-sold within five years, instead of formerly two, and the refusal to grant bank loans to developers unless they invest at least 35 per cent of the project costs from their own capital. The government also introduced rules to increase low-cost housing, requiring developers to designate 70 per cent of the units in a property project to apartments of a maximum of 90 m². However, a Ministry of Construction survey found that the average size of new flats in 16 main cities in the first half of 2006 was more than 120 m², much bigger than what an ordinary household could afford. Another survey found that 70 per cent of China's urban residents could not afford to buy

² 'China gets the postgraduate blues', *Asia Times* online; reprinted and accessed on Asian Development Bank Institute (ADBI)'s Web site at <http://www.adbi.org/e-newsline/index.html>, 13 February 2007.

³ J. Ng, 'Privatized housing impedes cooling efforts', *Asia Times* online, 6 July 2006; reprinted and accessed on Asian Development Bank Institute (ADBI)'s Web site at <http://www.adbi.org/e-newsline/index.html>.

a new apartment based on average house prices in east China.⁴ Despite the continued demand for new housing due to projected population growth in China's cities, market- and profit-driven real estate developers will continue to build more luxury homes and avoid having to put up low-cost housing, thus enlarging the disparities based on the discrepancy between supply and demand and affordability.

Contributing to social and spatial inequalities in the transformed city is the massive influx of rural migrants in China's cities, which host approximately 120 million rural workers today, and the figure is likely to reach 300 million by 2020. (Adding this to the projected 700 million urbanites by 2015 these numbers are likely to raise the real, not official, urban population to about one billion.) Migrant workers have contributed 16 per cent of China's GDP growth over the past 20 years, especially in such industries as construction, manufacturing, commerce, catering, and urban environment cleaning, according to a new report released by UNESCO.⁵ However, migrant workers have faced discriminating treatment by some local authorities and employers. In 2004 alone, unpaid wages for migrant workers totalled an estimated 20 billion Yuan (US\$ 2.5 billion), as total unpaid wages have amounted to around 100 billion Yuan (US\$ 12.5 billion) over the last few years. In Beijing, up to three billion Yuan (US\$ 375 million) was owed to 700,000 rural migrant labourers working on construction sites in 2004.⁶ To redress this glaring problem partly exposed by the media, the Chinese government issued in early 2006 a series of decrees to guarantee all-round protection of migrant worker's legitimate rights and interests, including their rights to receive on-time payment, social insurance, and education for their children in cities. However, incompatible government policies have worked cross-purposes concerning the interests and rights of migrants in cities. The majority of the approximately 400,000 migrant children in Beijing attend the 300 or so private schools located on the metropolitan fringes, which are organized by migrants themselves and NGOs, because most of them cannot afford to pay the high fees and added transport costs for going to state schools in the city. Yet some of these private schools are being closed down by the municipal government on the basis that they are not up to the official educational standards.

Tough Challenges for the Transformed City

Is the Chinese city so much transformed that it has totally replaced the socialist city of the recent past? The answer would appear 'yes' in the light of rapid economic growth, huge wealth creation, more mobility and choices, and great housing improvement on the one hand and growing unemployment, traffic congestion, high property prices, and above all socio-economic and spatial inequalities, on the other. While most may see the positives outweighing the negatives in China's dramatic urban transformation, some may look back for the surviving socialist mechanisms embedded in the city or for systems that

⁴ Industry Overview, 'Real estate: cooling the fires', *China Economic Review*, August 2006; accessed on <http://chinaeconomicreview.com/subscriber/article/detail/1397.html>.

⁵ Reported in *China Daily*, 12 June 2006; reprinted and accessed on Asian Development Bank Institute (ADBI)'s Web site at <http://www.adbi.org/e-newsline/index.html>.

⁶ *People's Daily* online, 13 April, 2005 and *China Daily* online, 18 August 2005, reprinted and accessed on Asian Development Bank Institute (ADBI)'s Web site at <http://www.adbi.org/e-newsline/index.html>.

could be invoked to address the problems in the transformed city. The most obvious solution seems to be targeted interventions by the still dominant one-party state.

The national state, having decentralized decision-making to sub-national and local governments over the last two decades, finds it increasingly difficult to deal with the more autonomous cities via the traditional means of macro- regulation and intervention. This however is up against China's budget law, which allows the government to spend the extra-budgetary income without the approval of the generally rubber-stamping legislature. As a result, when governments at all levels work out their budgets, they often deliberately underestimate their revenues in the fiscal year so that at the end they can have some 'extra money' to spend.

The central government 'forced' a slowdown of urban fixed asset investment including real estate from 24.2 per cent in the third quarter of 2006, compared with the historic high of 31.9 per cent in the second quarter, through tighter land controls and lending and a higher threshold for market access. However, the interests and priorities of the central versus municipal governments have diverged widely. Whereas the central government is concerned with macro-issues such as inflation and other symptoms of overheating, local governments prioritize growth because it means more jobs and less risk of social unrest, which in turn helps local officials advance their political careers through reward-promotions. The inability of the Chinese state to reassert itself fully is closely connected with the fact that China's economic development is becoming more and more local government-led. Local governments are essentially businesses that compete among themselves to maximize GDP, which forces them to maximize their revenues through multiple channels to maintain high property prices, motorway tolls, and sales taxes. And more revenues allow local governments to make more new fixed investments to boost GDP further and pursue illusory prosperity through the construction of large-scale 'image projects.'

Some targeted measures by the central government, however, are still capable of influencing local development. By requiring developers to return land that has been left idle for two years after acquisition of the lease, by threatening to prosecute developers who manipulate market prices and information, and by banning sales of government-owned land for detached houses, the national government makes local governments responsible for controlling property prices. While this contributed to a relatively small decline in the average sales price of properties in Shanghai in early 2006, it reflected the municipal government's big push to the market to sell more, less expensive, lower-end housing units across the city.

If the Chinese city has been largely transformed by a new and powerful model of local government-led economic development, it poses strong challenges to the national state to rebalance a delicate relationship between the relative interests at the central and local levels. While too much autonomy on the part of cities leads to runaway growth and large inequality, thus triggering fragmentation and social discontent that could destabilize the centre, trying to rein the cities in all the way would threaten to kill positive local development initiatives and impulses. The central and local governments could join

hands in resorting back to the socialist means of redistribution such as taxation, financial transference, social security, or even direct subsidies to assist marginal and vulnerable groups like the poor and unemployed. Despite the tough challenges of dealing with growing inequality and other new problems already entrenched in the transformed city, it is too late to turn back the clock to the more egalitarian and controlled socialist city regardless of its legacies.

I characterize the transformation of the Chinese city as revolutionary because it has been brought about by the powerful collective force consisting of the four drivers mentioned earlier. This transformation has serious local spatial and social consequences that bear on the four themes of the Urban Age project. However, the transformed Chinese city is by no means a finished product. It is continuing to develop more complex economic, social, and spatial attributes that resemble those of the advanced industrialized city or the Third World city, or both. In this ironic sense, the dramatic urban revolution in China has transformed its cities into less distinctive places by thrusting them into more similar or common challenges facing cities elsewhere in the world.

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